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VA (VETERANS ADMINISTRATION) PENSIONS TO MEDICAID
NURSING HOME RESIDENTS SHOULD BE REDUCED(U) TAWD
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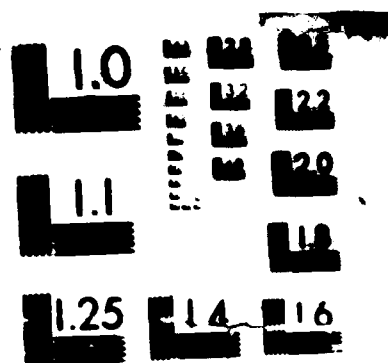
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United States General Accounting Office

Report to the Chairman, Committee on
Veterans' Affairs, U.S. Senate

(1)

July 1987

AD-A183 821

VETERANS ADMINISTRATION

VA Pensions to Medicaid Nursing Home Residents Should Be Reduced



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Human Resources Division

B-225935

July 10, 1987

The Honorable Alan Cranston
Chairman, Committee on Veterans' Affairs
United States Senate

Dear Mr. Chairman:

In our ongoing review of the Medicaid program, we noted a situation that significantly increases the government's costs for nursing home care provided to veterans or their survivors who are dually eligible for a Veterans Administration (VA) pension and Medicaid benefits.

→ Under title 38 of the U.S. Code, a VA pension is reduced to \$60 a month if the beneficiary enters a VA-supported nursing home and does not have a spouse or other dependent living in the community. A similar provision does not exist, however, when the beneficiary enters a nursing home as a Medicaid patient. Because Medicaid recipients must apply any cash income and benefits they receive toward the cost of their care, the VA pensions do not generally benefit veterans and their survivors. Instead, they reduce Medicaid program costs. The primary beneficiaries of the reduced Medicaid costs are the states. We estimate that in fiscal year 1986, continuing VA pension payments to about 18,500 Medicaid nursing home residents in the eight states we reviewed cost the federal government about \$27.2 million. The eight states accounted for about 34 percent of total Medicaid nursing home patients in fiscal year 1985.

To eliminate the VA subsidy to the states, the Congress should amend title 38 to require that the VA pension for veterans and their survivors who enter a nursing home under Medicaid be reduced using one of two options. Neither option should adversely affect veterans' access to nursing home care or the income of the spouse or dependent remaining in the community. *Keywords: Medicaid, VA, nursing home, pension, subsidy.*

Background

Medicaid is a federally aided, state-administered medical assistance program that serves about 22 million needy people. Medicaid became effective on January 1, 1966, under authority of title XIX of the Social Security Act (42 U.S.C. 1396). Within broad federal limits, states set the scope and reimbursement rates for the medical services offered and make payments directly to the providers who render the services. Generally, persons receiving public assistance under the Aid to Families With Dependent Children (AFDC) and Supplemental Security Income (SSI) programs are eligible for Medicaid assistance. Also, at each state's

We did our work at VA headquarters in Washington, D.C.; Health Care Financing Administration headquarters in Baltimore; VA's regional office in Boston; and state Medicaid agencies in California, Connecticut, Florida, Massachusetts, Ohio, Pennsylvania, Rhode Island, and Texas. The eight states were judgmentally selected to provide geographic balance and states with large Medicaid programs. In 1985, the eight states accounted for about 30 percent of Medicaid payments for recipients over 65 years of age.

We matched computerized records of Medicaid nursing home residents in the eight states with VA pension records as of October 1985 to determine the number and amount of VA pensions going to Medicaid nursing home residents. We determined how each of the eight states applied that VA pension income toward the cost of nursing home care, and calculated the effect those procedures had on VA and state and federal Medicaid costs.

We reviewed applicable federal and state laws, regulations, and procedures relating to VA pensions and the application of Medicaid recipients' income toward the cost of nursing home care, including information on the application of income from the AFDC, SSI, and food stamp programs.

Our work was done between January 1986 and May 1987 in accordance with generally accepted government auditing standards except that, at the request of your Committee, we did not obtain agency comments on a draft of this report. We did, however, discuss its contents with VA officials and have incorporated their comments where appropriate.

Many Medicaid Nursing Home Residents Receive VA Pensions

In October 1985, about 6.2 percent of the Medicaid nursing home residents in the eight states reviewed received VA pension benefits. During that month benefit payments totaled about \$6.6 million. As shown in table 1, the percentage of Medicaid nursing home residents receiving a VA pension ranged from 3.1 percent in Connecticut to 7.3 percent in Texas. Pension recipients received an average of \$329 per month, or \$3,946 per year.

(56 percent) and the state paying \$660 (44 percent). As shown in table 2, the VA pension paid to the recipient increased the federal cost by \$231 a month.

Table 2: Effect of VA Pension on Federal and State Share of Nursing Home Cost for Medicaid Recipients

	Source of funds			
	Recipient with pension		Recipient without pension	
	Federal	State	Federal	State
Monthly cost of care	\$1 500		\$1 500	
Less: Medicaid recipient's income				
VA pension	525	\$0	0	\$0
Other sources	0	0	0	0
Equals: Medicaid program costs	975		1 500	
Federal share (56%)	546		840	
State share (44%)		429		660
Total state and federal share	\$1,071 (71%)	\$429 (29%)	\$840 (56%)	\$660 (44%)

To take advantage of the higher federal payments, all eight states have initiated programs to maximize VA benefit collections on behalf of Medicaid nursing home residents. In Massachusetts, for example, state employees visit nursing homes and interview Medicaid patients and their relatives to identify those for whom VA benefits might be obtained or increased. Since 1979, such efforts have increased VA pension payments to Medicaid nursing home residents in Massachusetts by an estimated \$25 million.

Other Needs-Based Programs Reduce Benefits for Nursing Home Patients

To avoid having the government pay twice for the same services, other needs-based programs generally terminate or greatly reduce benefits when a recipient enters a nursing home under Medicaid. For example, when an SSI recipient enters a nursing home, the Social Security Administration reduces the SSI payment to a maximum of \$25 per month. Similarly, food stamp benefits are generally terminated because the Medicaid nursing home resident no longer incurs costs for meals.

VA reduces the pension payments to \$60 per month¹ when a veteran receives care in a VA nursing home or in a community nursing home under contract to VA unless the veteran has a spouse or other dependent living in the community. In the latter instance, the aid and attendance portion of the pension would not be provided. The reduction takes place

¹The reduction takes place at the end of the third month in the nursing home.

We are sending copies of this report to the Administrator of Veterans Affairs, the Secretary of Health and Human Services, various congressional committees and subcommittees, and other interested parties.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Richard L. Fogel".

Richard L. Fogel
Assistant Comptroller General

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